

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Annual Compliance Report, 2022

Docket No. ACR2022

CHAIRMAN'S INFORMATION REQUEST NO. 3

(Issued January 10, 2023)

To clarify the basis of the Postal Service's FY 2022 *Annual Compliance Report* (ACR), filed December 29, 2022,¹ the Postal Service is requested to provide written responses to the following questions. Answers should be provided to the individual questions as soon as they are developed, but no later than January 17, 2023.

Market Dominant Special Services

1. Please refer to the Postal Service's discussion of Money Orders in the FY 2022 ACR. FY 2022 ACR at 46-47.
 - a. Please discuss in detail the drivers behind unit costs increasing 12.2 percent in FY 2022.
 - b. Please describe any plans or impending initiatives the Postal Service has to review Money Orders' costs and steps it intends to take to reduce them in FY 2023 or future years.
2. The reported FY 2022 cost coverage for Stamped Envelopes is 100.06 percent and for Collect on Delivery is 103.49 percent. FY 2022 ACR at 46. These represent substantial declines from the FY 2021 cost coverages for these Ancillary Services.

¹ United States Postal Service FY 2022 *Annual Compliance Report*, December 29, 2022 (FY 2022 ACR).

- a. Please describe in detail why the cost coverage for Stamped Envelopes fell from 140.64 percent in FY 2021 to 100.06 percent in FY 2022.
- b. Please describe in detail why the cost coverage for Collect on Delivery fell from 145.29 percent in FY 2021 to 103.49 percent in FY 2022. In the discussion, please include the Postal Service's analysis of why cost per piece increased approximately 62 percent, from \$8.92 in FY 2021 to \$14.74 in FY 2022.
- c. Please describe in detail any plans or impending initiatives the Postal Service has in place or intends to implement to address the falling cost coverage for Stamped Envelopes and Collect on Delivery in FY 2023 or future years.

For the following questions, if the Postal Service chooses to respond using a graphical or tabular representation of data, please file the underlying data in the form of an Excel spreadsheet. Such spreadsheets shall preserve all data links and show all formulas used, including volumes and other weighting factors.

Service Performance

3. Please refer to Docket No. ACR2021, Responses of the United States Postal Service to Questions 1-22 of Chairman's Information Request No. 9, February 7, 2022, question 1. With its response, the Postal Service provided a spreadsheet titled "ChIR.9.Q.1.FY21 – Employee Availability Data" which detailed employee availability by function for FY 2021. Please provide employee availability in total and by function (*i.e.*, separately for mail processing, delivery services, and customer service), disaggregated by month for FY 2022, using the same filters to extract the data as those used for the FY 2021 spreadsheet.
4. Please refer to Docket No. ACR2021, Responses of the United States Postal Service to Questions 1-19 of Chairman's Information Request No. 8, February 4, 2022, question 4. In its response, the Postal Service provided a list of Districts

that experienced monthly employee availability levels of less than 70 percent during FY 2021. *Id.*

- a. Please provide an updated table reflecting all Districts that experienced monthly employee availability levels of less than 70 percent during FY 2022.
 - b. Please confirm that the 70 percent threshold remains “empirically . . . most effective for distinguishing particularly-challenged Districts . . .” with respect to employee absenteeism.² If not confirmed, please explain.
 - c. In the FY 2021 list, please explain why some Districts are identified as either “Logistics” or “Processing.” In the response, please describe in detail how the two functions differ.
 - d. In the FY 2021 list, for any Districts that are not identified according to “Logistics” or to “Processing” functions, please confirm that both “Logistics” and “Processing” functions described in the response above occur within that District. If not confirmed, please explain.
 - e. Please describe in detail the functions covered by the “ISC Logistics” District. In the response, please indicate whether the Postal Service considers this to constitute its own geographic District.
5. Please refer to Docket No. ACR2021, Responses of the United States Postal Service to Questions 1-29 of Chairman’s Information Request No. 1, January 18, 2022, question 28 (Docket No. ACR2021, Responses to CHIR No. 1). In its response, the Postal Service provided information on the causes attributed to Critically Late Trips (CLTs) and the initiatives aimed at addressing them. *Id.*

² See Docket No. ACR2020, Responses of the United States Postal Service to Questions 1-16 of Chairman’s Information Request No. 11, February 11, 2021, question 13.b.

- a. Please provide the total number of CLTs, disaggregated by cause, for each month of FY 2022. Please note any deviation from the criteria used by the Postal Service to assign late reason codes in FY 2021.
 - b. Please identify the initiatives used by the Postal Service to remedy or mitigate each category of causes of CLTs in FY 2022.
6. Please refer to Docket No. ACR2021, Responses to CHIR No. 1, question 29.d. In its response, the Postal Service stated that it was exploring the inclusion of liquidated damages clauses in its contracts with suppliers at fault for CLTs. *Id.*
 - a. Did the Postal Service include any liquidated damages clauses in its contracts with suppliers in FY 2022? If not, please explain why not.
 - b. Please describe in detail the outcome of the Postal Service's consideration of inclusion of liquidated damages and the rationale underlying any final decision. If consideration is still ongoing, please describe in detail any progress that has been made and provide a timeline for any final decisions.
7. The Postal Service states that "[i]n FY 2022, the nation achieved 85.07 percent Operating Plan Precision, compared with the goal of 70 percent."³ Please identify the Operating Plan Precision goal for FY 2023 and describe the criteria, data, and methodology used to develop the FY 2023 goal.
8. The Postal Service contends that "the removal of excess Flat Sequencing System (FSS) machines that were not needed to process current volumes at select sites" resulted in these sites becoming "more efficient with their remaining FSS machines." *Id.* at 13. Please provide quantitative support for this statement and identify the metric(s) used. If quantitative support is unavailable for an

³ Library Reference USPS-FY22-29, December 29, 2022, PDF file "FY22-29 Service Performance Report.pdf," at 12 (FY 2022 Service Performance Report).

identified impact, please explain why it is unavailable and provide qualitative analysis in support of the statement.

9. With respect to its plans to improve service performance for Post Office™ Box Service in FY 2023, the Postal Service states that it “recognizes potential opportunities to leverage new technologies to aid in performance improvements going forward” including “scanner upgrades and new Retail System Software (RSS) messaging capabilities.” *Id.* at 32-33. Please describe in detail how the Postal Services envisions using these new technologies to improve service performance. In the response, please specify if the improvements are specific to Post Office™ Box Service or apply to other products (and if the latter, identify such products).
10. Please provide the volume and percent of Market Dominant mail measured by Full-Service Intelligent Mail Barcode (IMb) in FY 2022, disaggregated by mail class (*i.e.*, First-Class Mail, USPS Marketing Mail, Periodicals, and Package Services). Please present results disaggregated by fiscal quarter and the total for the fiscal year.
11. Please provide the information requested in the following table for FY 2022 and in the response, for any data that are either “Not Applicable” or “Not Available,” please describe in detail why:

Product	Percentage of Mail in Measurement	Percentage of Mail entered at Full-Service IMb prices and included in measurement	Percentage of Mail Processed as Full-Service IMb, but excluded from measurement
First-Class Mail			
Presorted Letters/Postcards			
Flats			
USPS Marketing Mail			

High Density and Saturation Letters			
High Density and Saturation Flats/Parcels			
Carrier Route Letters			
Flats			
EDDM-Retail			
Parcels			
Total USPS Marketing Mail			
Periodicals			
In-County			
Outside County			
Package Services			
Bound Printed Matter Flats			
N/A = Not Applicable			
Not Available = The Postal Service does not have this information available.			

12. Please confirm that, as a result of COVID-related employee unavailability, the Postal Service was required to divert employees from manual operations to automated and mechanized operations in FY 2022.⁴

a. If confirmed, please refer to Docket No. ACR2021, Responses of the United States Postal Service to Questions 1-36 of Chairman's Information Request No. 2, January 25, 2022, question 9, in which the Postal Service stated that it "is unable to quantify the number of employees diverted from manual to automated processing operations in FY 2021 as a result of COVID-related employee unavailability." Please confirm whether the Postal Service remains unable to quantify this number.

i. If confirmed, please explain why.

⁴ See Docket No. ACR2021, Library Reference USPS-FY21-29, December 29, 2021, file "FY21-29 Service Performance Report.pdf," at 11.

- ii. If not confirmed, please provide the number of employees diverted from manual to automated processing operations in FY 2022.
 - b. If not confirmed, please describe in detail the reasons why the Postal Service was no longer required to divert employees from manual operations to automated and mechanized operations.
- 13. Please refer to Docket No. ACR2021, Responses of the United States Postal Service to Chairman's Information Request No. 30, May 2, 2022, question 1. Please confirm that the Postal Service's description of the measurement criteria, tracking, and reporting remains applicable in FY 2022. If not confirmed, please explain.

By the Chairman.

Michael Kubayanda